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SERS Plan 3: Summary of Selected Benefits

Defined Contribution Account	Your member contributions are deposited in a defined contribution account. That money is invested according to your instructions and you can take payment of that account after you separate from all covered employment. See page 4.
Contribution Rates	Contributions to SERS Plan 3 are mandatory. Once you select a contribution rate you cannot change it unless you change employers. Currently, there are six contribution rate options. See page 4.
Defined Benefit Formula	$1\% \times \text{Service Credit Years} \times \text{AFC} = \text{Monthly Benefit}$. See page 11.
Average Final Compensation (AFC)	The monthly average of your 60 consecutive highest-paid service credit months prior to your retirement, separation, or death. Not included are payments for any type of severance pay, such as lump sum payments for unused sick leave, and vacation/annual leave. See page 11.
Eligibility for Retirement	<p>SERS Plan 3 provides for a retirement benefit at age 65 if you have:</p> <ul style="list-style-type: none"> • At least 10 service credit years; or • Five service credit years, including 12 service credit months that were earned after age 54; or • Five service credit years earned in PERS Plan 2 before September 1, 2000. <p>A reduced benefit is available as early as age 55. See page 11.</p>
How Service Credit is Accumulated	Service credit is based on the total compensated time reported by your employer on your behalf. Employees of school districts or Educational Service Districts may receive 12 service credit months for the school year, September 1 - August 31. See page 9.
Disability Retirement	If you become totally incapacitated for continued employment with a covered employer, and leave that employment as a result of the disability, you may be eligible for a disability retirement benefit. See page 14.
Cost of Living Adjustment	On July 1 of every year following your first full year of retirement, your monthly defined benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle), to a maximum of 3 percent per year. See page 14.
Gain Sharing	SERS Plan 3 members may receive gain sharing payments in January of even-numbered years if eligible. See page 6.
Death in Service Survivor Benefit	If you die before you have initiated payment from your defined contribution account, your beneficiary will receive the balance in that account. See page 7. If you die before you retire, your surviving spouse, or if none, your minor children will receive a defined benefit. See page 15.

Plan 3

This handbook describes your retirement benefits under Plan 3 of the Washington State School Employees' Retirement System (SERS). The Plan is designed to be an important source of income that along with Social Security benefits (if you are eligible), personal savings, and other investments, will help pay your living expenses when you retire.

SERS Plan 3 has two separate retirement benefit components

SERS Plan 3 has a dual benefit structure. Member contributions finance a defined contribution component, and employer contributions finance a defined benefit component.

The member financed, defined contribution component provides an investment program you may access after you separate from covered employment. The amount of retirement income generated by the defined contribution component depends on how much you contribute and the performance of your investments. You must choose how much you contribute, where your contributions are invested, and how and when you take payment.

The employer financed, defined benefit component, provides for a lifetime monthly benefit at age 65, or reduced lifetime monthly benefit as early as age 55. Reduction factors vary based on the number of service credit years and your age. The benefit amount is based on your years of service credit and your average final compensation. Your benefit amount could be affected if you choose a survivor benefit option. See page 12.

Highlights

- The Plan provides a lifetime benefit. See page 12.
- The Plan provides disability benefits and survivor benefits if you meet the requirements. See page 14.
- You and your employer both contribute toward your future benefits. See page 8.
- Your contributions are refundable only if you leave SERS-covered employment. If you withdraw your contributions, you may lose your right to future benefits. You can restore your contributions and reestablish your benefits under certain circumstances. You cannot withdraw contributions made by your employer. See page 10.
- If you are a dual member, you may be able to combine service credit earned in other Washington State retirement systems in order to qualify for retirement. See page 10.
- If you transferred to SERS Plan 3, the choice is irrevocable. You will remain a member of the Plan if you transfer to another SERS-covered employer or if you leave SERS-covered employment and return at a later date. See page 7.
- As a SERS Plan 3 member, it is important that your new employer knows of your prior membership, even if you withdrew your contributions.
- If you wish to change your beneficiary, ask your personnel officer for a *Beneficiary Designation Form* or download the form from the DRS Web site. See page 20.

Summary Description

The actual rules governing your benefits are contained in state retirement laws. This handbook is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this handbook and what is contained in the law, the current law will govern.

Concurrent membership

If you are simultaneously employed in SERS and PERS eligible positions with different employers, dual membership rules may apply. Contact DRS for more information.

Am I a member of the Plan?

You are a SERS Plan 3 member if you were first hired into an eligible position at a school district or Educational Service District (ESD) on or after September 1, 2000 and have never been a Public Employees' Retirement System (PERS) Plan 2 member, or if as a SERS Plan 2 member you elected to transfer to Plan 3 after September 1, 2000.

For purposes of this plan, an eligible position normally requires at least 70 hours of compensated service per month during five months each year. Covered employer means an employer that participates in SERS. This includes all Washington State public school districts and ESDs.

PART 1: The Defined Contribution Component

What is a defined contribution?

A defined contribution retirement plan is one in which your benefit is based entirely on the amount you contribute and the performance of the investments you choose. Contributions may be deducted from your salary before taxes and are invested on your behalf. Check with your employer to find out if your contributions are tax-deferred. Investment returns (both gains and losses) are tax-deferred. They are credited to your account as long as you have money in the Plan.

DRS contracts with ICMA-RC to maintain records of individual member accounts and send out quarterly statements. In most cases you will contact ICMA-RC directly to obtain account information. See page 19 for contact information.

Highlights

- You can choose one of six contribution options. Once chosen, your option remains the same unless you change employers. See below.
- You can choose between two investment programs: the Washington State Investment Board (WSIB) Investment Program or the Self-Directed Investment Program. See below.
- You may receive gain sharing payments in January of even numbered years, if eligible. See page 6.
- You may elect to take payment from your defined contribution account after you separate from covered employment. See page 7.
- Taking payment from your defined contribution account will not impact your defined benefit. See page 7.

How much am I required to contribute?

Contributions to your retirement plan are mandatory. Once you select a contribution rate you cannot change it unless you separate employment, change employers and reenter SERS-covered employment. Currently, there are six contribution rate options:

- Option A:** 5% fixed rate at all ages
- Option B:** 5% up to age 35;
6% ages 35 through 44;
7.5% ages 45 and older
- Option C:** 6% up to age 35;
7.5% ages 35 through 44;
8.5% age 45 and older
- Option D:** 7% fixed rate at all ages
- Option E:** 10% fixed rate at all ages
- Option F:** 15% fixed rate at all ages

Choosing a contribution rate

If you become a SERS Plan 3 member by transferring from SERS Plan 2, you must decide your rate option in January. If you are a new SERS member you have 90 days from your date of hire to make a rate option election.

If you are a SERS 3 member changing employers, you must make a new election within 90 days from your date of hire.

If you do not select a rate option within 90 days, the law requires that Option A be assigned. No contributions will be deducted until you make your election or the 90 day period ends. Refer to the *Plan 3 Contribution Rate* publication available on the DRS Web site. See page 20.

Limitations on annual contributions

Under Internal Revenue Code, SERS Plan 3 is a qualified 401(a) program. Contributions to SERS Plan 3 are mandatory. If you are participating in other tax-deferred plans, be aware that your tax-deferred contributions can be limited based on your annual income. Remember, tax-deferred contributions further decrease your taxable income. Consult the IRS and/or a tax advisor for detailed information.

How will my contributions be invested?

Under Plan 3 you may choose between two investment programs. They are the Washington State Investment Board (WSIB) and the Self-Directed Investment Programs.

WSIB Investment Program

The WSIB Investment Program enables you to invest in the Total Allocation Portfolio (TAP), a portfolio with an asset allocation that is determined, managed and continuously rebalanced by the WSIB. If you do not select an investment program, your contributions will be directed to this program.

Self-Directed Investment Program

The Self-Directed Investment Program enables you to design your own investment portfolio from a menu of funds, or to choose from three pre-set portfolios, called Horizon Funds. These pre-set portfolios are balanced funds with asset allocations that target different risk levels and investment time horizons.

If you choose the Self-Directed Investment Program, you must contact ICMA-RC to establish your investment allocation. See page 19. If you do not select an allocation, your contributions will be invested in the Money Market Fund. You can learn more about the WSIB and Self-Directed Investment Programs by reading the online *Plan 3 Investment Guide*.

Selecting an investment program

When you become a member of SERS Plan 3, use the *Member Information Form* to select the investment program where your contributions will be invested. You can contribute to only one investment program at a time. If you wish to change the investment program to which you

are contributing, complete a *Plan 3 Change of Investment Program Form*. Both forms are available on the DRS Web site and should be returned to your employer when completed. See page 20.

Transfer account balances between investment programs

Though you can contribute to only one of the two investment programs at a time, you may have investments in both programs. If you wish to move all or a portion of the balance of your investment account between investment programs, complete a *Plan 3 Program-to-Program Transfer Form* and submit it to ICMA-RC. See page 20.

How is the value of my defined contribution account determined?

The value of your account will be based entirely on the amount you contribute and the performance of the investments. As in any investment, there is an element of risk.

How the WSIB Investment Program values its funds

The WSIB values the TAP once each month. Since the WSIB Investment Program is composed of a variety of investments, its value is measured by the composite worth of the entire portfolio as determined by the current market value of each investment.

How the Self-Directed Program values its funds

Within the Self-Directed Investment Program, member portfolios are valued daily. There are a variety of investments available through the Self-Directed Investment Program. Each investment is valued separately based on its current selling price in the market.

How your retirement contributions are processed

Your employer transmits your contributions and member data to DRS on at least a monthly basis. Employers are required to provide DRS with member contributions and data by the 15th of the month following the month in which the contributions were deducted from your paycheck.

Both investment programs incorporate a Short-Term Investment Fund (STIF) where contributions are placed and begin earning interest. When individual member contributions (reported by an employer) are reconciled with the cash DRS receives from the employer, the process of moving your contributions into your investment program is completed.

Depending on your employer's reporting schedule and your choice of investment program, there will be some variation in the time it takes for contributions to move between the STIF and your investment allocation. For more information about how your investments are processed, refer to the online *Plan 3 Investment Guide* on the DRS Web site. See page 20.

Separate quarterly statements

WSIB Investment Program account statements are issued 45 days after the end of the quarter. Self-Directed Investment Program account statements are issued 10 business days after the end of the quarter.

What is gain sharing?

If the asset earnings on the SERS combined Plan 2 and Plan 3 trust fund averages more than 10 percent annually over a four-year period, half of the amount over 10 percent will be passed on to Plan 3 members' defined contribution accounts based on each member's service credit. Gain sharing payments are made in January of even-

numbered years and are deposited into your defined contribution accounts.

For more information about gain sharing, refer to the *Plan 3 Investment Guide* on the DRS Web site. See page 20.

What if I leave my SERS position?

Leaving your current, SERS-covered employment before you retire may have an impact on your benefits. If your next position is SERS eligible, your membership and service credit will continue. See 'When can I retire' on page 11.

Withdrawing your contributions

If you leave SERS-covered employment, you may withdraw your defined contributions. This is the only circumstance in which a refund is permitted. You can learn more by reading *Plan 3 Request for Payment of Defined Contribution Funds*, available from the DRS Web site.

You are not required to withdraw your contributions when you leave SERS-covered employment. If you leave your contributions with SERS, your funds will continue to rise or fall depending on investment performance.

If you leave SERS-covered employment and leave your contributions in the Plan, keep DRS informed of changes in your name, address and beneficiary.

Payment Timeline

Before the withdrawal process can begin:

- You must separate from all covered employment,
- DRS must receive notification of your separation from your employer, and
- You must submit a *Plan 3 Request for Payment of Defined Contribution Funds Form* to ICMA- RC.

WSIB Investment Program

After these items are completed, your withdrawal process can take 60 to 90 days. For further details regarding the valuation process and the timeline, please refer to the *Plan 3 Investment Guide*.

Self-Directed Investment Program

After these items are completed, your withdrawal process can take up to 30 days. For further details regarding the valuation process and the timeline, please refer to the *Plan 3 Investment Guide*.

Loans, attachments and assignments of contributions

Because the Plan is designed to provide retirement income, you may not borrow from or against your contributions. See page 16.

Tax implications of withdrawing your contributions

Federal law requires DRS to withhold 20 percent of the tax-deferred portion of lump sum payments for federal income tax unless the funds are transferred directly to another eligible retirement plan. Federal law may also require an additional 10 percent tax be withheld as an early withdrawal penalty if you are under age 59 ½. You can find more about withholding penalties by reading *Plan 3 Request for Payment of Defined Contribution Funds*, available from the DRS Web site.

DRS is required to report all lump-sum payments to the Internal Revenue Service (IRS). It is your responsibility to report the withdrawal on your tax return. For more information on this subject, contact the IRS or your tax advisor.

If you die before initiating payment

If you die before you initiate payment from your defined contribution account, and your beneficiary is your spouse, your spouse may take payment from one of the distribution options.

Beneficiaries who are not spouses cannot roll over defined contribution funds. You can learn more by reading *Plan 3 Request for Payment of Defined Contribution Funds*, available from the DRS Web site.

If you die after initiating payment

If you die after you initiate payment from your defined contribution account, your beneficiary should contact DRS to facilitate payment of the remainder of the funds. If retirement payments are derived from an annuity, the payments continue or stop based on the terms of the annuity.

Designating a beneficiary

As an active member, you should keep your beneficiary designation in your SERS account current. The *Beneficiary Designation Form*, which is available from your employer or DRS, should be mailed to DRS. If you fail to file a *Beneficiary Designation Form*, DRS pays your surviving spouse or minor children. If there are none, DRS will pay your estate. For more information see page 15.

If you marry or divorce prior to retirement, you should file a new *Beneficiary Designation Form*, even if your beneficiary remains the same. However, you should be aware that an ex-spouse may be able to attach your benefits under certain circumstances. If you fail to file a new *Beneficiary Designation Form*, DRS pays your surviving spouse or minor children. If there are none, DRS will pay your estate. For more information see page 15.

PART 2: The Defined Benefit Component

What is a defined benefit?

Your Plan is a 401(a) defined benefit plan. This means that at retirement you will receive a benefit based on your service credit and average final compensation. The amount of your employers contributions will not be a factor in calculating your retirement benefit.

Who pays for my benefit?

Defined benefit plan

Your future benefit is funded by contributions made by your employer during your period of membership and the interest from those contributions. Employers pay contributions that are based on a percentage of your salary. These contributions are held in trust and invested by the Washington State Investment Board. The contributions are not credited to your account, and cannot be withdrawn.

What is service credit?

Service credit

The amount of your retirement benefit depends upon the service credit you earn in an eligible position. Service credit is based on the number of hours worked as reported by your employer on your behalf.

Hours worked	Service Credit earned
Less than 630 hours or work less than 9 months of the school year	1 service credit month for each month you work 90 or more hours
	0.5 service credit month for each month you work 70 to 89 hours
	0.25 service credit month for each month you work 69 hours or less (but more than zero)
630 - 809 hours and begin working in September and work at least 9 months of the school year	6 service credit months per school year (September 1 through August 31)
810 hours or more and begin working in September and work at least 9 months of the school year	12 service credit months per school year (September 1 through August 31)

No more than one month's service credit may be earned for each calendar month worked, regardless of the number of employers. If you are simultaneously employed in both SERS and PERS eligible positions with different employers, it can affect how your service credit is calculated. Contact DRS for more information.

EXAMPLE:

Calculating service credit

Suppose you worked full-time starting with the 2001-02 school year and continued through the end of the 2007-08 year — 7 full years, then you reduced your hours. During the 2008-09 school year, your hours and service credit were as follows:

	Hours	Service Credit Months
September	140	1
October	140	1
November	0	0
December	0	0
January	70	0.5
February	120	1
March	100	1
April	110	1
May	120	1
June	40	0.25
July	0	0
August	0	0
TOTAL	840	6.75

Although you worked more than 810 hours in the 2008-09 school year, you worked less than 9 months in the school year, so you would receive 6.75 service credit months. Your total service credit for the period starting with the 2001-02 school year and ending with the 2008-09 school year would be 7 years and 6.75 months.

Claiming credit for substitute service

If you work as a classified substitute your employer(s) will advise you quarterly of the amount of service you performed. To receive credit for your service, you must apply each year after August 31. For more information, see the publication, *The Classified Substitute's Guide to Obtaining Service Credit*, available from your employer or the DRS Web site.

Service credit from another retirement system

You may be able to combine your SERS service credit with credit earned in other Washington State retirement systems in order to qualify for retirement. For more information, see "What if I've previously been a member of another retirement system?" on page 10.

Military service

You may be eligible to acquire service credit for up to five years of time spent in the military by

paying member contributions. To qualify you must have left covered employment to enter active military service. In addition, you must apply for re-employment with the same employer within 90 days after an honorable discharge. You must complete payment of these contributions prior to retirement or five years from the time you resume employment, whichever comes first.

You can find more information about military service credit requirements by reading *Plan 2 and 3 Military Service Credit*, a DRS online publication. See page 18.

Leave of absence

You may earn service credit for an unpaid leave of absence authorized by your employer. Service credit for a leave of absence is limited to a maximum of two years during your working career.

To obtain service credit for unpaid leave, you must return to work with the same employer in a SERS-eligible position, and pay both member and employer contributions, including interest, for the time on leave. Contributions are based on the average of your earnable compensation at the time you were granted the leave and at the time you resume your employment. Payment must be completed prior to retirement or within five years of returning to employment, whichever comes first. Contact DRS to purchase authorized leave of absence service credit.

Can I recover Plan 2 service credit now that I belong to Plan 3?

To restore service credit, you must repay the total amount withdrawn within 60 service credit months of returning to service, or before you retire, whichever comes first. Payment must be

completed by this deadline, or your service cannot be restored under this method.

It is still possible to purchase withdrawn and optional service credit after the deadline; however, the cost is considerably more expensive. You can learn more by reading the DRS online publication, *Plan 3 Recovery of Withdrawn or Optional Service Credit*.

What if I've previously been a member of another system?

Dual membership

If you establish membership in more than one retirement system, you may qualify as a dual member, even if your membership in another system has been terminated.

You qualify for dual membership if you meet **all** the following criteria:

- You are currently a member of SERS, Teachers', Public Employees', Washington State Patrol, Plan 2 of the Law Enforcement Officers' and Fire Fighters', or the City of Tacoma, Seattle, or Spokane Retirement Systems; and
- You previously contributed to a dual member system other than the one to which you now belong; and
- You are not receiving disability retirement or disability leave benefits from any dual member system, or any other DRS-administered retirement system.

EXAMPLE:

Combined service credit

Suppose you are a SERS Plan 3 member, are 55 years old and have three service credit years. You also have seven PERS Plan 2 service credit years, for a total of 10 service credit years — enough to retire with a reduced benefit.

The provisions of each plan determines the amount of your benefit from each plan and when each benefit can begin. If you retire as a dual member, your total benefit cannot exceed the amount you would receive if all your service had been in a single system.

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than SERS, you must repay the amount withdrawn, plus interest, within two years of first becoming a dual member or before you retire, whichever comes first. To determine how much you owe in order to restore service credit, contact DRS. See page 20.

Include the following information in your letter:

- Your name, Social Security Number, address and daytime phone number,
- The system(s) in which you want to restore service credit,
- The approximate dates of each withdrawal and the periods of employment each represents,
- The name(s) of the employer(s), and
- Your signature.

Payment must be completed by the deadline or your service cannot be restored by this method. It is still possible to purchase service credit after the deadline; however, the cost is considerably more expensive. Read the DRS online publication, *Plan 3 Recovery of Withdrawn or Optional Service Credit*.

When can I retire?

Eligibility

Your service retirement benefit depends on your average final compensation (AFC), the survivor option you choose, and your service credit years at retirement. You are eligible to retire at age 65 if you have:

- At least 10 service credit years; or

- Five service credit years, including 12 service credit months that were earned after age 54; or
- Five service credit years earned in PERS Plan 2 prior to September 1, 2000.

Using sick leave to increase your benefit

School district employees may use up to 45 days of accumulated sick leave to retire earlier. For example, if you have 45 days of sick leave and are age 65 or older, you may retire with four years and 10 months of service credit or more. **Cashed out sick leave may not be used for this purpose.**

Sick leave cannot be used to meet the age requirement or service credit in determining the amount of your retirement benefit. If you plan to use sick leave to advance your retirement date, contact DRS before separating from employment.

How is my benefit calculated?

Benefit formula

Your monthly service retirement benefit is calculated using the following formula:

1 percent x Service Credit Years x AFC

AFC is the monthly average of your 60 consecutive highest-paid service credit months.

Not included are payments for any type of severance pay, such as lump-sum payments for unused sick leave or vacation\annual leave. There is no limit on the number of service credit years included in the benefit calculation.

Benefit Reductions. After you meet eligibility requirements your benefit will be reduced if:

- You apply before age 65, or
- You choose a survivor option.

EXAMPLE:

Benefit calculation

Suppose you retire at age 65 with 32 service credit years and an average final compensation of \$2,000. Your monthly retirement benefit will be \$640. It is calculated as follows:

$$\begin{array}{r} 1\% \times 32 \text{ years} \times \$2,000 = \$640 \\ 1\% \times 32 \text{ years} = .32 \\ .32 \times \$2,000 = \$640 \end{array}$$

This calculation is your lifetime benefit. Your benefit will be lower if you choose to continue benefits to a survivor upon your death. You can use the SERS Plan 3 benefit estimator on the DRS Web site to estimate your benefit.

Calculating benefits for dual members

As a dual member, you may combine service credit earned in all dual member systems for the purpose of becoming eligible for retirement. If your combined service makes you eligible to retire under any dual member system, you may elect to retire from all dual member systems.

As a dual member, you may choose to have your average final compensation determined as follows:

- You can use the compensation in each system (as defined in that system) to determine that system's benefit, or
- You can use the highest "base salary" from any system, to determine the benefit in another system.

Base salary is the salary or wages you earned, excluding overtime, lump sum cashouts, severance pay and bonuses.

Dual members have the opportunity to restore previously withdrawn service credit. For a detailed explanation of dual membership read *What is Dual*

Membership and How Does it Affect Me?, available on the DRS Web site.

EXAMPLE:

Dual member benefits

Suppose you are 65 years old and have four service credit years from SERS Plan 3 and four service credit years with TRS Plan 2. Without dual membership, your service in either plan would be too short to provide a benefit. With dual membership, you have enough to retire. You will receive a benefit from each plan, calculated according to the rules of each system as follows:

SERS Plan 3:

$1\% \times 4 \text{ SERS service credit years} \times \text{average final compensation} = \text{SERS benefit}$

TRS Plan 2:

$2\% \times 4 \text{ TRS service credit years} \times \text{average final compensation} = \text{TRS benefit}$

What are my benefit options?

When you apply for a service or disability retirement, you must select a benefit option. This option generally cannot be changed after you retire.

If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. **If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary. The Retirement Application contains the Spousal Consent Authorization.**

OPTION 1

Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive

equal your contributions plus interest at the date of retirement, the balance will be paid in a lump sum to your named beneficiary.

OPTION 2

Joint and 100 percent survivorship

Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

OPTION 3

Joint and 50 percent survivorship

This option also provides you with a benefit that is actuarially reduced, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

OPTION 4

Joint and 66.67 percent survivorship

This option provides you with a benefit that is actuarially reduced; however, the reduction is smaller than in Option 2, but larger than in Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Changing a benefit option after retirement

Once you retire you may change your benefit option or beneficiary **in only the following circumstances:**

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit may be adjusted to the higher Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS.
- If you designate someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after

retirement by contacting DRS. This option can be used only once and is irrevocable.

- If you retire under Option 1, then marry, and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change between your first and second year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only once and is irrevocable.
- If you complete two or more years of uninterrupted active SERS membership after going back to work, you can select a new benefit option and/or beneficiary when you retire again.

How does early retirement affect my benefit?

The table below provides the approximate reductions in effect on September 1, 2002. Your benefit is determined by the percentage in effect at the time your benefit starts. At age 55 or older, you are eligible to retire with a reduced benefit with at least 10 service credit years.

Age at retirement	10 to 29 years of service – percent of benefit after actuarial reduction.	30+ years of service – percent of benefit after 3% per year under 65 reduction
55	37%	70%
56	40%	73%
57	43%	76%
58	49%	79%
59	55%	82%
60	61%	85%
61	67%	88%
62	73%	91%
63	82%	94%
64	91%	97%
65	100%	100%

Actuarially reduced means the benefit is reduced based on factors provided by the Office of the

State Actuary. These factors are derived from statistics about life expectancy and projections of the Plan's investment earnings. An actuarial reduction is typically necessary when benefits are going to be paid over a longer period of time because you retired prior to age 65.

EXAMPLE:

Suppose you retire at age 55 with 25 service credit years and AFC of \$3,500. Your benefit will be 37 percent of what it would be at age 65 with the same service credit and AFC. Your monthly benefit of \$323.75 is calculated as follows:

$1\% \times 25 \text{ years} \times \$3,500 \times 37\% = \$323.75$
$1\% \times 25 \text{ years} = .25 \text{ (25\%)}$
$.25 \times \$3,500 = \875.00
$\$875 \times 37\% = \323.75

Suppose you work another five years and retire at age 60 with 30 service credit years and AFC of \$3,500. Your monthly benefit would be \$892.50.

$1\% \times 30 \text{ years} \times \$3,500 \times 85\% = \$892.50$
$1\% \times 30 \text{ years} = .30 \text{ (30\%)}$
$.30 \times \$3,500 = \$1,050$
$\$1,050 \times 85\% = \892.5

If you accumulate 20 service credit years and separate from service, your defined benefit retirement payment amount will be increased by approximately 3 percent each year from separation until you begin drawing your benefit.

Defined Benefit Waiver

You may waive your defined benefit in Plan 3, unless your retirement is impacted by a legal order. Waiving your defined benefit is an irrevocable decision. You cannot repurchase service credit once it has been waived. Spousal consent is required to waive the defined benefit. To waive your benefit fill out a *Plan 3 Defined Benefit Waiver* available on the DRS Web site.

Why would you want to give up your defined benefit? Some retirement plans in other states have provisions which allow members to transfer contributions and/or service credit earned elsewhere into their retirement plan. The Legislature created this waiver to allow you to give up your benefit in Washington, so you can claim service and benefits in another plan.

Can my benefit increase after I retire?

On July 1 of every year following your first full year of retirement for service or disability, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle), to a maximum of 3 percent per year. This is your cost of living adjustment (COLA).

What if I become disabled?

If a disability totally incapacitates you for continued employment with a public school district or ESD, and you leave that employment as a result of the disability, you may be eligible for a disability retirement benefit. There is no minimum service credit requirement for this benefit. Benefits will not be paid until you have separated from service. You can learn more about SERS disability benefits by reading the DRS online publication *SERS Plan 2 and Plan 3 Disability Benefits*.

Service Credit for Temporary Duty Disability

In some cases you can obtain service credit for work time missed while on temporary disability leave. For more information on this subject, refer to the *SERS Plan 2 and Plan 3 Disability Benefits* publication or speak with a DRS Retirement Services Analyst.

What benefits do my survivors receive?

If you die after retirement

If you die after you begin receiving a service or disability retirement, your survivors may be eligible to receive benefits according to the retirement option you chose.

If you die before retirement

Your surviving spouse will receive a benefit calculated as if you had elected Benefit Option 2. See page 13. The benefit will be actuarially reduced to reflect your age at the time of death.

If your spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit that was being paid to your surviving spouse. The benefit will be shared equally among the children and paid until they reach age 18.

If there is no surviving spouse at the time of your death, and you have minor children, their guardian will choose their benefit options.

If you have no surviving spouse or IRS-qualified dependents, your member defined contributions are paid in a lump sum to your named beneficiary or legal representative (estate).

Designating a beneficiary

As an active member, you should keep your beneficiary designation in your SERS account up-to-date. The *Beneficiary Designation Form*, which is available from your employer or DRS, should be mailed to DRS. If you fail to file a beneficiary designation form, DRS pays your surviving spouse or minor child. If there are none, DRS will pay your estate.

If you marry or divorce prior to retirement, you should file a new *Beneficiary Designation*

Form, even if your beneficiary remains the same. However, you should be aware that an ex-spouse may be able to attach your benefits under certain circumstances. See page 16. If you fail to file a new beneficiary designation form, DRS pays your surviving spouse or minor child. If there are none, DRS will pay your estate.

At retirement, if you choose Option 1, you may name a trust, your estate, an organization, or a person as your beneficiary. If you choose a survivor benefit option at retirement, you must select a person as your beneficiary. To change a beneficiary after retirement, see page 13.

PART 3: General Information

Additional criteria for membership

Some employees who satisfy the basic eligibility criteria may be excluded from membership. If you belong to one of the categories listed below, contact DRS to determine whether membership is optional or prohibited:

- You are receiving a retirement or disability benefit from a DRS administered retirement system.
- You provide professional services to an employer on a fee, retainer or contract basis, or the income from the professional services is less than 50 percent of the gross income you receive from your profession.
- You are enrolled in a state-approved apprenticeship program (see RCW 49.04) and are employed to earn hours for program completion, and are making contributions to a union-sponsored retirement plan or are a member of a Taft-Hartley retirement plan.

What if I work after retirement?

Your benefits may be affected if you work for a DRS-covered employer after retirement. Under state law, the employer is required to report your hours to DRS.

When you apply for retirement you will receive the publication, *Thinking About Working After Retirement?* in your retirement application packet. **The publication will inform you of the rules regarding post-retirement employment.** If you are unsure, please call DRS before you return to work. You can also obtain a copy of this publication on the DRS Web site.

Why does DRS need my Social Security Number?

DRS requires that you provide your Social Security Number when you are conducting business with the agency. Internal Revenue Code Sections 6041 (A), and 6109 authorize DRS to solicit your Social Security Number.

- The disclosure of your Social Security Number to DRS is mandatory.
- DRS will use your Social Security Number to ensure that any amounts disbursed under your account are properly reported to the Internal Revenue Service and as a reference number for tracking all data with regard to your retirement account.
- DRS will not disclose your Social Security Number to any party unless required by law.

Taxation and assignment of benefits

Federal income taxes

Most of your retirement benefit is subject to federal income tax. The only portion that is exempt from tax is the part that was taxed before it was contributed. Since September 1, 1984, employers began deducting member contributions before taxes. After you retire, DRS will notify you of the portion of your contributions that has already been taxed. The IRS refers to this taxed amount as your cost.

You must complete a W-4P form to tell DRS how much of your benefit should be withheld for taxes. If you do not, DRS will follow IRS rules requiring withholding as if you are married and claiming three exemptions. It is your responsibility to declare the proper amount of taxable income on your income tax return.

Assignment and Attachment of Benefits

Retirement benefits are not generally subject to assignment or attachment. However, payments received by you in the form of retirement benefits or as a refund of your contributions, may be subject to payment of court and administrative orders for spousal maintenance and child support, or payment of any orders authorized by federal law.

DRS is authorized to divide retirement benefits between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, DRS will send the property division payment directly to the ex-spouse. For more information, read the DRS publication, *Can A Legal Action Affect My Retirement Account?* This and all other DRS publications are available on the DRS Web site.

Administrative information

Administration of the system

The School Employees' Retirement System is administered by DRS. The Director of DRS is appointed by the Governor.

Payment of retirement benefits

Your retirement benefit accrues from the first day of the month following the date you separate from service. Your benefit is paid at the end of each month and, in most cases, can be deposited directly in your bank or credit union account.

Benefit adjustments

If you receive an overpayment of your retirement benefit or withdrawal, DRS will require that the overpayment be repaid. If there is an underpayment, DRS will correct the error and pay you in full.

Petitions and appeals

Under DRS' internal review procedures, all appeals begin as petitions. You may challenge a decision of a DRS administrator by filing a petition within 120 days of your receipt of the decision. A petition will be reviewed by DRS' Petition Examiner.

To file a petition, complete and submit a detailed statement of:

- The relief you are requesting;
- The facts relating to your petition, including any relevant documents or sworn statements which support your request for relief;
- The legal basis for your petition, including any relevant legal provisions or precedents;
- The name and address of your legal counsel, if you choose to be represented; and

- Your name, address, Social Security Number, and signature.

The Petition Examiner will ask for relevant information from the involved parties. Usually, this means you, DRS, and possibly your employer. After review, the Petition Examiner will enter a written decision and mail that decision to you by certified mail.

If you are not satisfied with the petition decision, you may file an appeal within 60 days of receipt of the decision. Included with your petition decision will be information describing how to file an appeal. An appeal will be heard by either DRS' Presiding Officer or an Administrative Law Judge.

When should I start planning for retirement?

Planning for retirement is an on-going process. The sooner you start the more likely you are to enjoy a comfortable and successful retirement. Here are some simple things you can do to help build your retirement plan:

- As soon as possible, attend one of DRS' Retirement Planning Seminars. These full-day sessions feature qualified speakers on a number of retirement subjects and are free of charge. The dates and locations for these seminars are announced in the member newsletter, *Retirement Outlook*, and on the DRS Web site.
- Calculate your future retirement benefit using the Benefit Estimator on the DRS Web site. You can run a variety of retirement scenarios to see what works best for you.
- Because there are statutory time limits on restoring contributions withdrawn from your retirement plan, read the DRS publication, *Plan 3 Recovery of Withdrawn or Optional Service Credit* and review the rules that apply to your situation.

- If military service interrupts your employment, submit a copy of your DD214 to DRS to determine if your active service is creditable.

As you get closer to retirement

Consider the following:

- Contact the Social Security office periodically to review your file's accuracy. The toll-free telephone number for Social Security information is 1 (800) 772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the Social Security Web site (<http://www.ssa.gov>).
- Obtain a copy of Internal Revenue Service Publication 575, Pensions and Annuities, also available on the Web site (<http://www.irs.gov/formspubs>).
- If you are within a year of your retirement date, request an estimate of your benefit from DRS. DRS will send you a retirement application with your estimate.

Applying for retirement

You can complete the entire retirement process through the mail. Contact DRS for an application.

Contacting DRS

When you contact DRS about personal account information, be sure to include:

- Your Social Security Number.
- Your signature (for written correspondence).
- Your daytime telephone number.
- Your mailing address.
- The plan you are requesting information from.

Mailing Address

Department of Retirement Systems
PO Box 48380
Olympia, Washington 98504-8380

Telephone

Olympia.....(360) 664-7000
Toll-free.....1 (800) 547-6657
TDD Line (hearing impaired)(360) 586-5450
Toll-Free TDD Number.....1 (866) 377-8895

E-mail Address

recep@drs.wa.gov

Warning: Electronic mail messages on the Internet may not be secure. Your message may not be confidential; it may be possible for other people to read your e-mail message.

Web Address

<http://www.drs.wa.gov>

The DRS Web site contains the most recent edition of this handbook and all other member publications for SERS and the other DRS-administered systems. The site also includes:

- Recent issues of the member newsletter, *Retirement Outlook*,
- Information about recent retirement-related legislation,
- A Benefit Estimator that you can use for retirement planning purposes, and
- A variety of other information of interest to retirement system members and public employers in Washington State.

Contact DRS for the following:

- To obtain more information about your rights and benefits under this plan.
- To request inactive member annual statements.
- To apply for retirement.
- To schedule an appointment to review your account information and retirement options in person.
- To obtain copies of other DRS publications mentioned in this handbook (all DRS publications are available on the DRS Web site).

Other SERS publications

All SERS publications are available on the DRS Web site.

- *Thinking About Working After Retirement?*
- *Plan 3 Recovery of Withdrawn or Optional Service Credit*
- *Plan 2 and 3 Military Service Credit*
- *What Is Dual Membership and How Does It Affect Me?*
- *SERS Disability Benefits*
- *Can a Legal Action Affect My Retirement Account?*

Contact information for ICMA-RC

Questions about defined contribution account balance, investments, withdrawals, quarterly statements, allocations, and fund transfers.

Record keeper	1 (888) 711-8773
Record keeper TDD Line	1 (800) 669-7471

DRS Web Site:
<http://www.drs.wa.gov>

The SERS Plan 3 Handbook and all other DRS publications are available on the DRS Web site. Remember, printed documents can become outdated. For the most current information, we recommend the DRS Web site.



For information about obtaining a copy of this publication in an alternate format, contact DRS Publications by calling (800) 547-6657 ext 47278. In the Olympia area call (360) 664-7278.